

CALIFORNIA HIGH-SPEED RAIL: BOARD UPDATE REVISED DRAFT 2020 BUSINESS PLAN

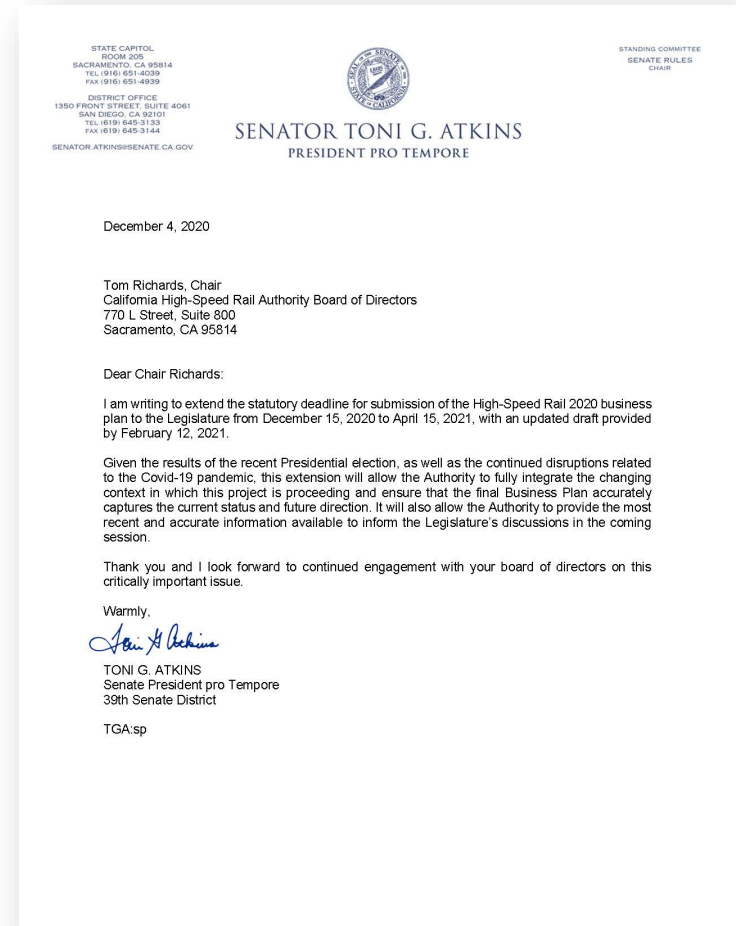
Brian Kelly
Chief Executive Officer
February 9, 2021



REVISED DRAFT 2020 BUSINESS PLAN

CALIFORNIA HIGH-SPEED RAIL

- Revised Draft Plan released on **February 9, 2021**
- 30-day public review through **March 12, 2021**
- Final Business Plan to Legislature by **April 15, 2021**



2020 COVID-19 Impacts to High-Speed Rail:

244 workers quarantined;

» \$288 million in lost Cap and Trade revenue;

» Environmental schedules extended for 4 project sections;

» Track and Systems procurement delayed until August 2021;

» Right of Way acquisition affected by court delays.









COVID-19 elevated our appreciation for risk. We are implementing stronger risk management measures:

- » We are proposing to increase our contingency for risk
- » Enterprise Risk Management
 - » New Risk Committee
 - » Supported by new Enterprise Risk Manager
 - » Bringing on additional risk expertise
- » Stage Gate project development and delivery process
 - » Sequence of stages and gates – which serve as formal decision milestones
 - » Integrated into Authority governance policies and procedures
 - » Each gate serves as a control feature to ensure decisions made within risk framework



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PROGRESS – 2018 to 2020

		2018		2020
	Construction Jobs Created	2,573	VS.	5,216
	Structures Completed or in Construction	19	VS.	56
	Environmental Drafts Released and ROD's Certified	5	VS.	12
	Right-Of-Way Parcels Acquired	1,423	VS.	1,771
	Miles of Guideways	47	VS.	79
	Monthly Average Expenditures on Design-Build Contracts	\$30.47M	VS.	\$68.13M



We evaluated questions raised by Legislature and Peer Review Group:

- » Independent peer review of ridership forecasts
- » Memorandum of Understanding with CalSTA and San Joaquin Joint Powers Authority for interim service roles and responsibilities
- » Questions raised about interim service business model as it relates to Proposition 1A “no operating subsidy” provisions



Further analysis conducted to address questions on ridership estimates:

- » Peer Review Group helped define the scope of independent review
- » Resource Systems Group – a third party transportation research and analytics firm – assessed whether assumptions and results were reasonable
- » Resource Systems Group review concluded:
 - » “No fatal flaws” with the work performed by the Early Train Operator
 - » Ridership estimates are within expected “ranges for travel time and frequency”
 - » Merced to Bakersfield initial operating segment “Obtains the highest forecast gain in ridership and does so at the lowest increase in cost” compared to the Burbank-Anaheim and San José-Gilroy corridors



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ADDRESSING COMMENTS ON INTERIM SERVICE: MERCED TO BAKERSFIELD

RSG Presentation



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MERCED AND BAKERSFIELD EXTENSIONS

These studies and efforts reaffirm value in the Merced to Bakersfield interim service:

- » The Merced and Bakersfield extensions are environmentally cleared
- » We recommend advancing design which will include engineering and:
 - » Right-of-way mapping
 - » Identifying utility relocations
 - » Third-party agreements
 - » Establishing the project footprint (project configuration)
- » This will refine our cost estimates and prepare these extensions for pre-construction activities



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CURRENT ESTIMATE TO ADD MERCED AND BAKERSFIELD EXTENSIONS

Commitment remains to complete a Merced to Bakersfield Line

- » First step is to advance design to refine costs estimates which will include:
 - Value engineering
 - Phase track implementation
 - Consultation with CalSTA on train procurement strategy
- » Elements to complete this line include:
 - Merced Extension
 - Bakersfield Extension
 - High-speed rail trains for interim operations
 - Four stations
- » Cost estimate ranges from \$3.1 billion to \$4.5 billion



Policy recommendation to advance design on all segments after environmental clearance

- » Northern California – 2 sections from San Francisco to the Central Valley Wye
- » Southern California – 4 sections from Bakersfield to Anaheim
- » This will include geotechnical investigations, right-of-way mapping, third party agreements and identifying utility relocations
- » It will provide a clearer picture of risks, costs and construction requirements in these complex corridors
- » These sections will be closer to being “construction ready” as funding opportunities present themselves



The Biden administration presents an opportunity to re-establish our federal partnership:

- » The Authority is engaging with new administration on:
 - » Restoration of Federal Partnership
 - » Re-obligation of FY/10 grant funding de-obligated by the Trump Administration
 - » Program delivery schedule flexibility
- » New administration and Congress create opportunity for increased federal investment in electrified high-speed rail



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SCHEDULE UPDATES FOR RECORDS OF DECISION

Project Section	Draft EIR/EIS	Projected ROD Date
Bakersfield to Palmdale	Complete (February 2020)	Q2 2021
Burbank to Los Angeles	Complete (May 2020)	Q4 2021
San José to Merced	Complete (April 2020)	Q1 2022
San Francisco to San José	Complete (July 2020)	Q2 2022
Palmdale to Burbank	Q3 2021	Q4 2022
Los Angeles to Anaheim	Q4 2021 to Q1 2022	Q4 2022 to Q2 2023



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SCHEDULE UPDATES

» We anticipate needing more time to complete Central Valley Segment construction

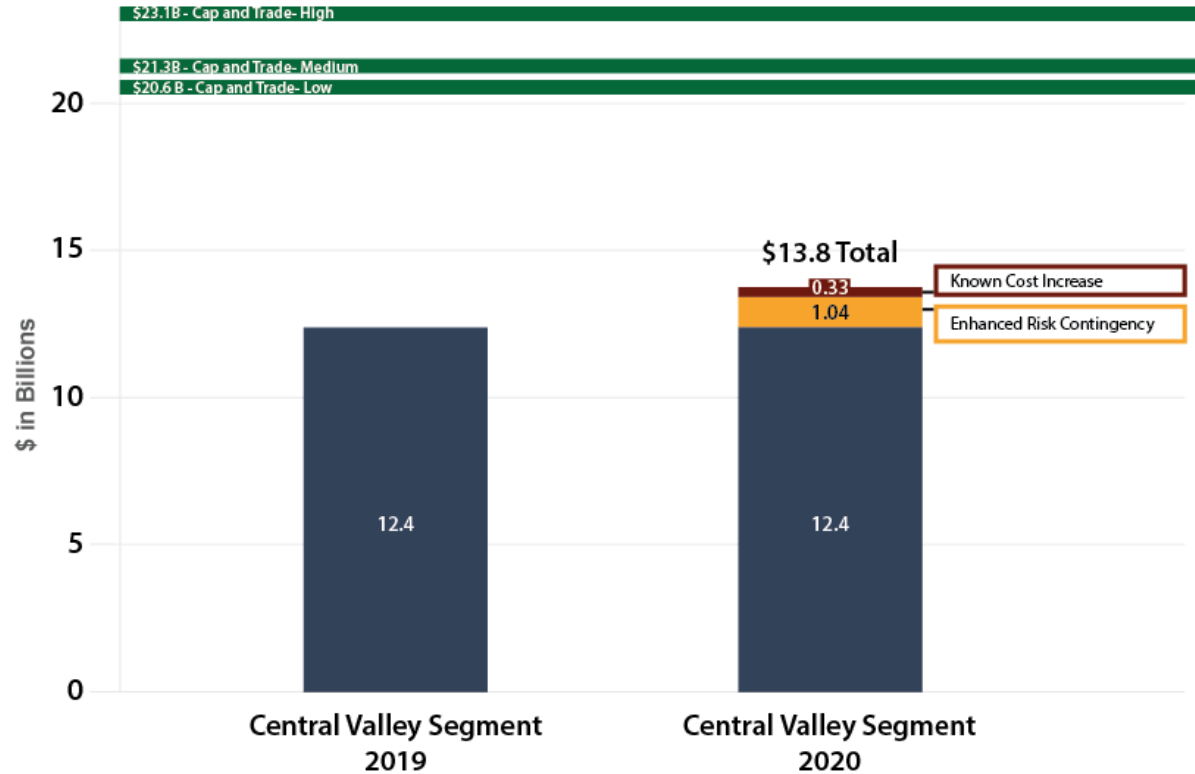
Construction Elements	Projected Completion
Construction Package 1	December 2023
Construction Package 2-3	December 2023
Construction Package 4	April 2022
Track and Systems Contract Award	August 2021



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CENTRAL VALLEY SEGMENT COST UPDATES

- » Construction costs have increased by \$330 million
- » Remaining construction still has risk and impacts due to the pandemic.
 - Recommend adding approximately \$1.0 billion to contingency
- » Estimate includes phased track implementation (single track for system testing)



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PROPOSED ENHANCED PROGRAM BASELINE

Proposing enhancement to Program Baseline to be considered this spring

- » Cost and contingency budget adjusted to complete the Central Valley Segment - \$1.3 billion
- » Add budget to support Merced to Bakersfield Interim Service
 - \$155 million to advance engineering for Merced and Bakersfield extensions
 - \$389 million set aside for trainset procurement (essential to complete Track and Systems certification)
 - Up to \$787 million for ongoing program wide support for work through 2028
- » These investments for expanded activities increase the Program Baseline from \$15.6 billion to \$18.2 billion
- » Spring / summer baseline adjustment will allow important program work to advance



Funding:

- » Business Plan updates funding forecast through 2030 as a range based on Cap-and-Trade projections
 - Total funding range is \$20.6 billion to \$23.1 billion
 - Cost estimate to complete Merced to Bakersfield Line ranges from \$21.3 billion to \$22.8 billion (base cost estimate is \$22.2 billion)
- » Funding Plan to seek appropriation of remaining Proposition 1A funds as part of the 2021 Budget Act to complete construction currently underway



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2021 MILESTONES

Over the next 12-15 months:

- » 100% of ARRA state match will be completed in Q1 2021 – 22 months ahead of December 2022 deadline
- » Substantial completion of Construction Package 4
- » Environmental clearance of first two segments in Los Angeles County
 - Bakersfield to Palmdale
 - Burbank to Los Angeles
- » Award Track and Systems contract, commence work in 2022
- » Begin advance design work on Merced and Bakersfield extensions
- » Construction completed or underway on
 - 83 of 93 structures
 - 106 of 119 miles of guideway



“It always seems impossible until it is done”

Nelson Mandela



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